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## Responses of the Affected Agencies

### Comments on Agency Responses

We transmitted drafts of this report to the Board of Trustees of the Hawaii Public Employees Health Fund, the administrator of the health fund, and the Department of Budget and Finance on April 27, 1999. A copy of the transmittal letter to the Board of Trustees is included as Attachment 1. Similar letters were sent to the administrator of the health fund and to the Department of Budget and Finance. The responses from the Board of Trustees and the Department of Budget and Finance are included as Attachment 2 and Attachment 3, respectively. The health fund administrator did not submit a separate response.

The chairman of the Board of Trustees commented that due to the limited time to respond, the board and staff were unable to fully respond to our recommendations or to the information and premises on which the recommendations were based.

However, the chairman did identify a few of his immediate concerns. First, he commented that our report did not acknowledge the board's efforts since 1992 to convince the Department of Budget and Finance and the Legislature that replacement of the existing computer was needed. Second, he made similar observations concerning long-term care insurance. Third, he commented that the health fund's staffing is not sufficient to meet workload demands and operational requirements. He observed that any additional requirements, such as monitoring, auditing, and oversight of the union plans, would require staff increases and funds for auditors. He also stated that over the next few months, the board will work with various legislative committees to review our findings, explain the rationale for the board's decisions, and implement appropriate program changes.

The Department of Budget and Finance expressed general agreement with the recommendations in our draft report. The department also provided specific comments in the areas of adverse selection, board composition, carrier participation, program design, excess reserves, auditing union health benefit plans, and long-term care.

We made some editorial changes to our draft report for purposes of accuracy, clarity, and style.